

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WHITLEY COUNTY WATER)	
DISTRICT FOR A RATE ADJUSTMENT PURSUANT)	CASE NO.
TO THE ALTERNATIVE RATE FILING PROCEDURE)	10235
FOR SMALL UTILITIES)	

O R D E R

On April 27, 1988, Whitley County Water District ("Whitley County") filed an application to increase its rates for service. It proposed rates which would generate additional revenue of \$32,106 annually over adjusted test year operating revenue of \$269,236, an increase of 11.92 percent. Whitley County further proposed a monthly surcharge of \$.43 per bill for 2 years to repay a loan of \$10,000 which it incurred in February 1988 to meet its current expenses.

Whitley County filed its application pursuant to Commission Regulation 807 KAR 5:076, which provides a simplified and less expensive procedure for small utilities to apply for rate increases. As Whitley County did not meet the general requirements to use this procedure,¹ it requested that the Commission grant a deviation from the regulation's requirements and accept

¹ Commission Regulation 807 KAR 5:076 limits the application of the Alternative Rate Adjustment Procedure for Small Utilities to utilities with 400 or fewer customer billings or \$200,000 or less in gross annual revenues. In its 1986 Annual Report, Whitley County reported gross revenues of \$228,168 and 1,090 customers.

its application. On May 6, 1988, the Commission authorized a deviation from its regulation and accepted Whitley County's application.

Whitley County is the only party in this case. No other party has sought intervention.

In January 1988, while assisting Whitley County in the preparation of its application, the Commission Staff ("Staff") conducted a limited field review of Whitley County's test period financial records. Based on this review, the Staff on August 5, 1988, issued a report recommending an increase of \$17,180 in Whitley County's rates and the denial of the requested surcharge.

Whitley County has advised the Commission that it will not file any written comments on the Staff Report or seek a hearing in this case to contest the Staff Report's findings and recommendations.

After careful review and examination of the Staff Report, the Commission is of the opinion that the Staff's proposals, if adopted, will allow Whitley County sufficient revenues to meet its allowed operating expenses, service its debt, and provide for future equity growth. The Commission, therefore, adopts the findings and recommendations of the Staff Report as its own.

Upon reviewing the record of this case, the Commission has become very concerned about Whitley County's failure to make any payments towards the principal or accrued interest on its long term debt. On August 1, 1961, Whitley County issued \$400,000 of water revenue bonds. Payments on these bonds were due serially on August 1, 1964 through August 1, 1991. To the Commission's

knowledge, none of these payments have been made. In 1982, one bondholder initiated legal action in United States District Court against Whitley County for its failure to make timely payments on its bonds.² On August 29, 1985, a summary judgment against Whitley County was granted. On March 31, 1987, a receiver was appointed to operate the water district.³

The Commission is of the opinion that Whitley County should file with it a detailed plan for paying or refinancing its total long term debt. The Commission is further of the opinion that Whitley County should file with it semi-annual status reports on the implementation of this plan and the current amount of outstanding principal and accrued interest. Such reports will allow the Commission to closely monitor Whitley County's efforts to meet its financial obligations.

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

² James H. Alvis v. Everett Witt, et al., No. 82-95 (E.D. Ky.).

³ Following the appointment of a receiver, Whitley County asserted that the Commission no longer retained jurisdiction over it. On September 1, 1987, Whitley County increased its rates without Commission approval. On December 13, 1987, the Commission, the Receiver and the Attorney General of Kentucky agreed that the Commission retained jurisdiction over Whitley County and that its approval was required for any rate increase. On January 1, 1988, Whitley County reduced its rates to their prior levels. Whitley County will not be required to refund the unauthorized revenues collected as the parties agreed that no refund would be required if the subsequently approved rates exceeded the unapproved rates which were placed into effect on September 1, 1987.

1. The recommendations and findings contained in the Staff Report should be adopted as the findings of the Commission.

2. The rates proposed by Whitley County are unfair, unjust, and unreasonable and should be denied.

3. The rates in Appendix A are the fair, just, and reasonable rates for Whitley County and should produce gross annual revenues of \$286,416.

4. The surcharge proposed by Whitley County is unfair, unjust, and unreasonable and should be denied.

5. Within 30 days of the date of this Order, Whitley County should file with the Commission a detailed plan for paying or refinancing its total outstanding long-term debt, including accrued interest.

6. On January 1, 1989, and every 6 months thereafter, Whitley County should file with the Commission a status report on the implementation of its proposed plan to pay or refinance its long term debt. This report should also indicate the current amount of outstanding principal and accrued interest.

IT IS THEREFORE ORDERED that:

1. The recommendations and findings contained in the Staff Report be and they hereby are adopted as the findings of the Commission.

2. The rates in Appendix A be and they hereby are approved for service rendered by Whitley County on and after the date of this Order.

3. The rates proposed by Whitley County be and they hereby are denied.

4. The surcharge proposed by Whitley County be hereby is denied.

5. Within 30 days of the date of this Order, Whitley C shall file with this Commission a detailed plan for paying refinancing its total outstanding long-term debt, including accrued interest.

6. On January 1, 1989, and every 6 months thereafter, Whitley County shall file with the Commission a status report the implementation of its proposed plan to pay or refinance its long term debt. This report shall also indicate the current amount of outstanding principal and accrued interest.

7. Within 30 days of the date of this Order, Whitley County shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 6th day of October, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hermann
Chairman

Robert M. Davis
Vice Chairman

Steven W. Williams
Commissioner

ATTEST:

Executive Director